

STATEMENT OF PURPOSE

RS23199

In 2013 the legislature passed a bill sponsored by the Dealer Advisory Board to create the Idaho Consumer Asset Recovery Fund (ICAR) to increase protection for Idaho consumers purchasing vehicles from licensed retail vehicle dealers. In the implementation of this legislation it has been noted that it also includes wholesale dealers who are not licensed to retail vehicles to individual customers, they are only allowed to wholesale vehicles to dealers and auto auctions, neither of which are covered under the new ICAR fund for purposes of filing a claim. The ICAR fund which is paid into by licensed retail dealers since July 1, 2013, was designed to replace the current \$20,000 surety bond that dealers have been required to file. This requirement will no longer be necessary for dealers on and after July 1, 2014, if there have been no claims against their surety bond in the past 3 years. The bond is required for all newly licensed dealers for the first 3 years, as well as paying into the ICAR fund. The bond level has not changed in more than 15 years. The ICAR fund will reimburse a consumer up to \$50,000 for one claim, for a total of \$120,000 per dealer based on court judgment. Since wholesalers aren't covered by the ICAR fund, and therefore should not have to pay into it, it has been recommended by the Dealer Advisory Board that the current \$20,000 surety bond be increased to \$40,000, since that is the only protection dealers and auto auctions would have against a wholesaler.

FISCAL NOTE

If this proposal succeeds, there will be no fiscal impact to the Idaho Transportation Department. No net fiscal impact to the Idaho Consumer Asset Recovery Fund (ICAR) is anticipated. Although deposits will be reduced due to the proposed exclusion of wholesale dealers (approximately 40 statewide), claims from the fund will likewise be reduced due to exclusion of that class of dealers. There may be fiscal impact to wholesale dealers. This proposal increases the surety bond requirement on wholesale dealers from \$20,000 to \$40,000 but excludes them from paying the ICAR fee, currently set at \$300 annually. As a result, premiums paid by wholesale dealers may increase in order to secure bonding at the higher level. The amount of the increase will not be uniform among all wholesale dealers because the premiums they pay are dependent upon each individual dealer's transaction volume, claims experience rate, business assets, etc. The net fiscal impact to dealers may be a possible increase in the cost of securing surety bonds at the higher level, less the \$300 annual ICAR fee they are currently paying. If this proposal fails, there will be no fiscal impact to the Idaho Transportation Department, the Idaho Consumer Asset Recovery Fund (ICAR), or motor vehicle dealers.

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